

EXHIBIT B



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Via Email to: diane.jones@ed.gov

December 31, 2018

Diane Jones
Principal Deputy Under Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Re: DCEH Institutions

Dear Ms. Jones:

On behalf of Studio Enterprises, LLC ("Studio") and Candlewood Special Situations Master Fund II, L.P. ("Candlewood") we are providing this letter to update you regarding the scope and nature of the transactions resulting in a reorganization and change in control (the "Reorganization") of certain of the institutions currently controlled by Dream Center Education Holdings, LLC or its affiliates (collectively, "DCEH"), so that they can go forward as non-profit institutions that are governed and operated in a manner that is independent of any continued involvement by DCEH.

Given the financial exigency facing these schools, the parties are moving with urgency to complete the Reorganization through a series of transactions to be consummated as of January 1, 2019 (the "Transaction Date"). Please note that this plan calls for the Department to release the pending Title IV funds on or about January 2, 2019.

The Ongoing Schools

These contracts and transactions will affect nine Art Institute ("AI") campuses and eight South University campuses (collectively, the "Ongoing Schools"). Those campuses are identified at Attachment A, which also shows their proposed alignment within the Department's OPEID system.

As you can see, we plan to preserve four AI OPEs so that the nine campuses consist of four mains and five additional locations (including AI-Dallas) that are already under those mains. We are not requesting that any of these campuses be "realigned."

Attachment A identifies the eight South campuses that will be subsumed within the Reorganization. In addition, the South online program would be included in this group as part of South-Savannah. All of these campuses are already operated within a single OPE so this does not entail any realignment.

Additional Campus Considerations

In addition, we ask the Department's separate consideration of the AI-San Diego school, which is currently an additional location of Argosy University ("Argosy") but was previously a freestanding main campus with its own OPE. We have discussed with the Department several options regarding AI-San Diego and await the Department's guidance on the best method of saving that campus by moving it under the Houston main campus or reviving its status as a freestanding institution. We look forward to working with the Department to include AI-San Diego in the Reorganization and avoid its closure.



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We also want to address the remaining Argosy campuses, but they face more daunting financial challenges and our approach to them is quite different. We are willing to work cooperatively with the Department to preserve the Argosy schools pending the contemplated transaction with an Ohio public institution, and thereby prevent the closure of a large group of schools, but only if we can agree on a separate financial arrangement for them. As you are aware, Studio and Candlewood are prepared to provide a \$6.4 million bridge loan to DCEH to facilitate the Reorganization and both are supportive of the Ohio option. However, neither Studio nor Candlewood is capable of either directly subsidizing the operations of or providing the financial resources necessary to support a letter of credit for the Argosy schools or to effect a change of control to another entity if there is no viable plan to deal with the teach-outs and legacy liabilities associated therewith. If the contemplated Ohio transaction does not develop, and assuming the new Argosy board agrees, then Studio would be willing to enter into a managed services agreement with the Argosy schools going forward, and assist Argosy with the orderly teach-out of any Argosy schools that need to be closed, so long as no letter of credit is required. Because this is a separate arrangement, the Argosy campuses are not addressed in detail in the sections that follow. Regardless, it should be clearly understood that events that may transpire in the immediate and near-term affecting Argosy will not adversely affect the Ongoing Schools.

Similarly, if there is any way we can help the Department and another college in their discussions about the future status of AI-Pittsburgh and AI-Online, we are prepared to discuss how to do so.

It is important to make clear that all other schools that are outside of the Reorganization (including the Argosy schools unless we can reach a separate agreement for those schools) will remain under the control of DCEH. DCEH may subsequently elect to place those schools and other DCEH-related entities into receivership or bankruptcy, but those proceedings would only be initiated after the date of the Reorganization and would not affect the Ongoing School entities.

The Corporate Structure and Service Agreements

The Reorganization is designed to remove DCEH and its principals and affiliates from any vestige of control over the Ongoing Schools, to continue the status of each of the Ongoing Schools as non-profit limited liability companies ("LLC"), each separately recognized in its own right by the IRS as an entity exempt from federal taxes in accordance with Section 501(c)(3) of the Internal Revenue Code, and each with a newly-appointed distinct, independent and self-perpetuating governing board of trustees.

The pre-closing and post-closing structures are shown at Attachment B. The Reorganization entails (i) replacing DCEH as the sole member of the LLCs that are the ultimate parent of each of the Ongoing Schools of AI and South with a different non-profit entity which will (ii) appoint the initial new boards of trustees to govern the Ongoing Schools of AI and South; (iii) each of which boards of trustees will consist of independent members (with the institution president serving as an ex officio member); and (iv) having a representative of Studio and Candlewood serve as a non-voting observer on each such board. The Reorganization involves renaming certain entities post-closing to remove the name "Dream" or initials "DC" from all entities.

The new member replacing DCEH will be a Section 501(c)(3) private foundation created in 2013 under the laws of the State of Delaware (the "Foundation"). Note that neither the Foundation as the new member, nor Studio nor Candlewood will hold any ownership interest in the Ongoing School entities, and the only role of the Foundation regarding the educational activities of the Ongoing Schools will be the initial appointment of the independent members of the respective boards of trustees. Once reconstituted, those boards of trustees will be self-perpetuating.



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Based on the nature of a membership interest, and the fact that once the member replacing DCEH designates new members of each of the boards of trustees of the Ongoing Schools such boards will be self-perpetuating, there is no "new owner" of the Section 501(c)(3) school entities that will have financial and governance control over the Ongoing Schools for purposes of 34 C.F.R. § 600.20(g), and therefore such LLCs should be deemed the top-level owners. Each of the LLCs was established in January 2017 and will therefore be able to present two-years of audited financial statements in compliance with Section 600.20(g).

DCEH currently provides a wide range of centralized support services to the Ongoing Schools. Certain of these services will be transitioned from DCEH to Studio as of the Transaction Date and provided to the Ongoing Schools under a customary managed services agreement ("MSA"). Certain other services currently provided by DCEH which are not amenable to immediate transition, such as IT, vendor agreements and employees that are shared across all three university systems, will continue to be provided by DCEH through a transition services agreement among DCEH and Studio ("TSA"). In all cases, Studio will provide these non-core services to the Ongoing Schools on a cost-plus basis. Studio's relationship with the Ongoing Schools will be exclusively as a service-provider; neither Studio nor any Studio principal, owner or affiliate will have or exercise any ownership or control of any Ongoing School.

Proposed Department Conditions

In order to complete the Transaction on the desired schedule, we are asking for written reconfirmation of certain assurances from the Department regarding how it will treat the Reorganization and the conditions it will attach to the Title IV eligibility of those schools. We understand that any such assurances now given are subject to verification of underlying factual predicates by the Department.

Conditions Applicable to the AI and South Schools

1. Assuming that the applicable state authorizing agencies and institutional accrediting bodies confirm that their authorization or accreditation remains in place after the Reorganization, and while those agencies continue their review, and assuming the Ongoing Schools provide materially complete applications within ten business days after the Transaction Date, ED will issue TPPPAs as promptly as possible.
2. Based on the customary TPPPA and change of ownership or control review process, there will be no interruption in eligibility or the flow of Title IV funds to the students at the Ongoing Schools.
3. ED will restore the Ongoing Schools to advance payment under HCM level 1 procedures and will release the remainder of the designated \$15 million from the current letter of credit to support the Ongoing Schools. Because of the urgent cash position of the Ongoing Schools, we ask that these steps be completed on January 2, 2019.
4. The Ongoing Schools and Studio, as the managed services provider, in consultation with the Department, will take all necessary and appropriate steps to control the Title IV trust accounts and ensure that the Title IV funds are being used for their intended purpose.
5. The Department will accept as part of the same-day balance sheets to be submitted to ED on or before February 28, 2019, supplementary information pertaining to events that occur after the Transaction Date, which will be factored into ED's determination of their compliance with the same-day balance sheet tests.



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6. The Department will accept the financial statements of the top-level AI and top-level South entities, the LLCs that were formed in January 2017, to meet the two-year financial test.
7. The Ongoing Schools will be deemed Institutions of Higher Education pursuant to 20 U.S.C. § 1001(a) and therefore not be subject to any "tail" on the ED regulations that apply particularly to proprietary institutions (including the 90/10 Rule and Gainful Employment Rule), or required to make further reports or disclosures regarding any degree programs or be subject to a second set of GE Rates on their degree programs when ED issues such rates.
8. The Ongoing Schools will not be held liable for any regulatory compliance issues or liabilities (including borrower defense claims, Perkins loans repayments and the default rate effect of any FDL loan defaults), arising from the operation of any of the AI, South schools (including the schools that have been taught out) prior to the Transaction Date. This includes compliance issues that may be identified in A-133 audits prepared and filed under the new non-profit entities for prior periods. The Department will satisfy liabilities arising prior to the Transaction Date solely from and to the extent of such letters of credit (or related surety) previously posted.
9. To the extent that any Ongoing School triggers any of the financial responsibility triggers under the Borrower Defense Rule, those triggers would not affect the amount of any letter of credit until the Ongoing School has filed its School A-133 audit for the first fiscal year under the new structure.
10. ED will cooperate with the AI Schools and South to initiate a dialogue with DOJ and the applicable states attorneys general to determine what, if any, provisions in the EDMC Consent Agreement need to remain in place.

Conditions Applicable to South

- A. ED will set aside \$22 million from the current letter of credit that will support South's ability to continue to participate in Title IV under the financial responsibility provisions at 34 C.F.R. § 668.175, and there will be no other additional near-term letter of credit requirements applicable to South.
- B. ED will confirm that the 2012 open program reviews do not contain material findings that would affect ED's timing to issue the TPPPA to South.

Conditions Applicable to the AI Schools

- A. The new TPPPAs will reflect the campus alignment at Attachment A.
- B. To the extent that ED finds it necessary to impose a letter of credit for other reasons, including the Ongoing AI Schools' compliance with the same-day balance sheet tests or the results of the FY 2018 audits of the AI Schools under DCEH control, such letter of credit will be set at no more than \$6.5 million and will be due within the Department's customary 75-day period after the Department issues its request.
- C. We appreciate the Department's continued consideration of a plan to include AI-San Diego (or other Argosy schools) in the Reorganization.



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On behalf of the thousands of students, faculty and staff of the Ongoing Schools, we want to thank you for your continued diligent effort to preserve the stability and integrity of the Ongoing Schools, and particularly for your prompt review and written response to the issues and terms proposed above. We and our colleagues are available to speak at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathon C. Glass". The signature is fluid and cursive, with a large initial "J" and "C".

Jonathon C. Glass
Katherine Lee Carey
Regulatory Counsel, Studio

cc: Donna Mangold, Esq.
Steven Finley, Esq.
Robin Minor
Michael Frola
Bryan Newman, Studio
Michael Lau, Candlewood
Michael Goldstein, Regulatory Counsel, Candlewood

Attachment A

Attachment A

Art Institute Campuses

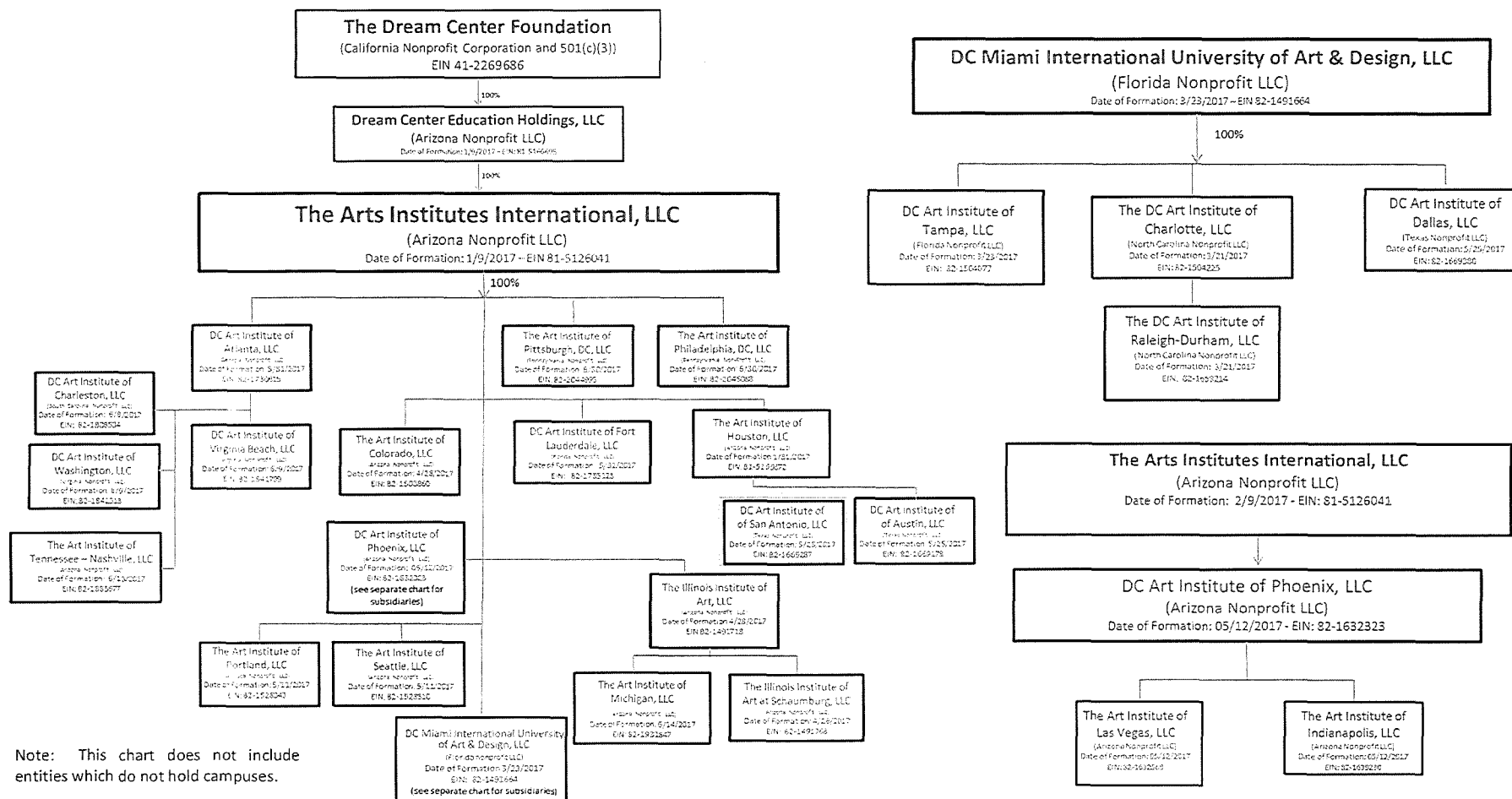
Specified Campus	Entity	Main/Additional Location	OPEID	Accreditor
Seattle	The Art Institute of Seattle, LLC, an Arizona limited liability company	Main	022913	NWCCU
Houston	The Art Institute of Houston, LLC, an Arizona limited liability company	Main	021171	SACS
Austin	DC Art Institute of Austin, LLC, a Texas limited liability company	Additional Location of Houston Campus	021171-02	SACS
San Antonio	DC Art Institute of San Antonio, LLC, a Texas limited liability company	Additional Location of Houston Campus	021171-04	SACS
Atlanta	DC Art Institute of Atlanta, LLC, a Georgia limited liability company	Main	009270	SACS
Virginia Beach	DC Art Institute of Virginia Beach, LLC, a Virginia limited liability company	Additional Location of Atlanta Campus	009270-07	SACS
Miami	DC Miami International University of Art & Design, LLC, a Florida limited liability company	Main	008878	SACS
Tampa	DC Art Institute of Tampa, LLC, a Florida limited liability company	Additional Location of Miami Campus	008878-05	SACS
Dallas	DC Art Institute of Dallas, LLC, a Texas limited liability company	Additional Location of Miami Campus	008878 - 07	SACS

South University Campuses

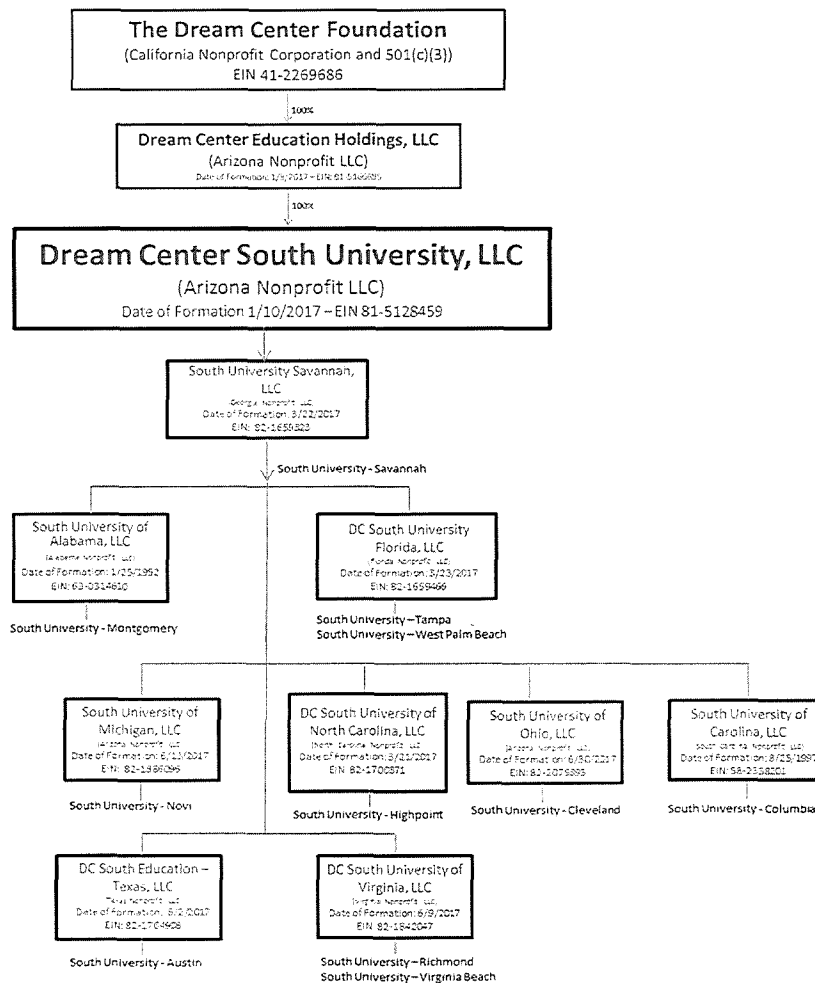
Specified Campus	Entity	Main/Additional Location	OPEID	Accreditor
Savannah	South University Savannah, LLC	Main	013039	SACS
Montgomery	South University of Alabama, LLC	Additional Location to Savannah Campus	013039	SACS
Tampa	DC South University Florida, LLC	Additional Location to Savannah Campus	013039	SACS
West Palm Beach	DC South University Florida, LLC	Additional Location to Savannah Campus	013039	SACS
Columbia, SC	South University of Carolina, LLC	Additional Location to Savannah Campus	013039	SACS
Austin	DC South Education - Texas, LLC	Additional Location to Savannah Campus	013039	SACS
Richmond	DC South University of Virginia, LLC	Additional Location to Savannah Campus	013039	SACS
Virginia Beach	DC South University of Virginia, LLC	Additional Location to Savannah Campus	013039	SACS

Attachment B

Pre-Reorganization Structure (Ai)

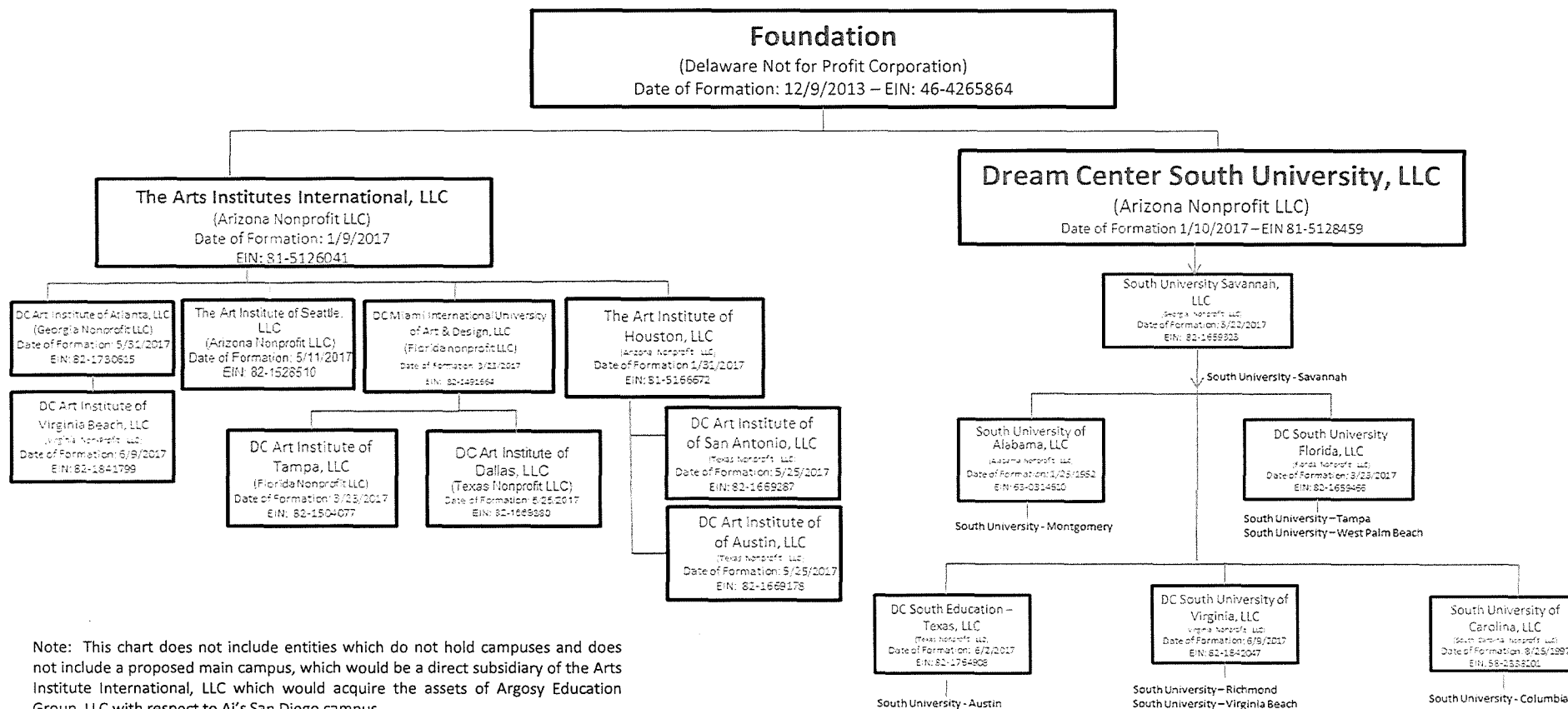


Pre-Reorganization Structure (South)



Note: This chart does not include entities which do not hold campuses.

Post-Reorganization Structure (Ai and South)



Note: This chart does not include entities which do not hold campuses and does not include a proposed main campus, which would be a direct subsidiary of the Arts Institute International, LLC which would acquire the assets of Argosy Education Group, LLC with respect to AI's San Diego campus.